

Message Text

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 00470 01 OF 02 181038Z

10

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

SAJ-01 NIC-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AEC-05

FEA-01 FPC-01 INT-05 OES-03 AGR-05 /115 W

----- 077959

R 180843Z FEB 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2697

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 01 OF 02 BUDAPEST 0470

E.O. 11652: N/A

TAGS: EFIN, HU

SUBJ: CENTRAL STATISTICAL OFFICE REPORTS ON 1974
ECONOMIC RESULTS

REF: BUDAPEST 0365

GENEVA FOR MTN DELEGATION

1. SUMMARY: IN ITS ANNUAL REPORT RELEASED LAST WEEKEND
THE HUNGARIAN CENTRAL STATISTICAL OFFICE (CSO) GAVE THE
OFFICIAL WORD REGARDING THE PREFORMANCE OF THE HUNGARIAN
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 00470 01 OF 02 181038Z

ECONOMY IN 1974. THE CSO'S REPORT ON THE WHOLE IS A

VERY POSITIVE ONE WITH THE HIGH POINTS BEING LARGER THAN PLANNED INCREASES IN ALMOST ALL SEGMENTS OF INDUSTRY AS WELL AS A LARGER THAN EXPECTED RISE IN PER CAPITA WAGES AND REAL INCOMES, AND ONLY A MODEST 1.9 PERCENT INCREASE IN THE CONSUMER PRICE INDEX. IN GENERAL, THE INCREASES AVERAGE ABOUT 1 PERCENT MORE THAN PRELIMINARY FIGURES PUBLISHED LATE LAST YEAR. ALTHOUGH NOT SURPRISINGLY, THE CSO MAKES EVERY ATTEMPT TO EMPHASIZE THE POSITIVE, A NUMBER OF ECONOMIC WEAK SPOTS ARE ALSO ACKNOWLEDGED INCLUDING THE DETERIORATION OF HUNGARY'S FOREIGN TRADE BALANCE, THE BALLOONING OF CENTRALLY PAID SUBSIDIES IN AN EFFORT TO SHIELD THE ECONOMY FROM THE EFFECTS OF FOREIGN INFLATION, THE CONTINUED LAG IN THE COMPLETION OF LARGE INVESTMENT PROJECTS, AND A RATHER POOR FALL HARVEST PARTICULARLY FOR GRAPE AND VEGETABLE CROPS. YET IN SPITE OF THESE WEAKNESSES, SOME OF WHICH CAST DOUBTS ABOUT THE ECONOMY'S ABILITY TO CONTINUE ITS FAST PACE OF GROWTH AND IMPROVEMENT OF LIVING STANDARDS INTO THE FUTURE, THERE CAN BE LITTLE QUESTION THAT 1975, PARTICULARLY FROM THE STANDPOINT OF THE HUNGARIAN CONSUMER, WAS BASICALLY A SUCCESSFUL YEAR. END SUMMARY.

2. THE CSO'S REPORT FOR 1974 SHOWS THAT HUNGARIAN ECONOMY WAS ABLE TO MAINTAIN VIGOROUS RATE OF GROWTH DURING THE PAST YEAR, AS RESULTS IN ALMOST ALL AREAS WERE HIGHER THAN RATES OF GROWTH PRESCRIBED BY PLAN. NATIONAL INCOME ROSE 7 PERCENT (PLANNED 5 PERCENT), INDUSTRIAL PRODUCTION WAS UP 8.2 PERCENT (TMTAY PERCENT), AGRICULTURAL PRODUCTION 3.7 PERCENT (2.0-2.5 PERCENT), PRODUCTIVITY IN INDUSTRY ROSE 7.2 PERCENT (5.0-5.5 PERCENT), PER CAPITA SALARIES INCREASED 5.5 PERCENT (3.7 PERCENT), AND CONSUMPTION GAINED 6.9 PERCENT (5.2-5.6 PERCENT). NATIONAL INCOME IN 1974 TOTALED 380 BILLION FORINTS OR 36,000 FORINTS PER CAPITA. THE HEALTHY RISE IN NATIONAL INCOME IS ATTRIBUTED TO LARGE INCREASES IN PRODUCTIVITY PARTICULARLY IN INDUSTRY AND AGRICULTURE. IN 1974 INDUSTRY CONTRIBUTED TO 44 PERCENT OF NATIONAL INCOME, BUILDING INDUSTRY 11 PERCENT, AND AGRICULTURE 16 PERCENT.

3. OF THE INDIVIDUAL INDUSTRY BRANCHES, ALL WITH THE EXCEPTION OF THE FOOD INDUSTRY AND MINING GREW AT A LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 00470 01 OF 02 181038Z

MORE RAPID INCREASE THAN PLANNED. THE LARGEST INCREASE

WAS REGISTERED BY THE MACHINERY INDUSTRY WHOSE PRODUCTION INCREASED 11.8 PERCENT (PLANNED 5.7 PERCENT). CHEMICALS, IN SPITE OF SERIOUS DIFFICULTIES IN OBTAINING IMPORTED RAW MATERIALS AT THE BEGINNING OF THE YEAR, PUSHED UP OUTPUT 9.4 PERCENT (6.7 PERCENT). METALLURGY WAS UP 9.4 PERCENT (5.3 PERCENT),

ELECTRIC ENERGY 8.2 PERCENT (7.5 PERCENT), LIGHT INDUSTRY 6.5 PERCENT (6.4 PERCENT), MINIST 1.9 PERCENT (2.0 PERCENT), AND FOOD INDUSTRY 5.0 PERCENT (7.2 PERCENT). EXAMPLES OF PRODUCTION RESULTS FOR INDIVIDUAL PRODUCTS ARE BUSES 9,039 (PLUS 16.2 PERCENT), STEEL 3.5 MILLION TONS (PLUS 4 PERCENT), CRUDE OIL 2.0 MILLION TONS (PLUS 0.4 PERCENT), NATURAL GAS 5.1 MILLION CUBIC METERS (PLUS 5.8 PERCENT), COAL 25.8 MILLION TONS (MINUS 3.8 PERCENT), BAUXITE 2.8 MILLION TONS (PLUS 5.8 PERCENT), AND REFRIGERATORS 416,000 (PLUS 12.3 PERCENT).

4. AGRICULTURAL PRODUCTION IN MOST INDIVIDUAL SECTORS ROSE IN SPITE OF UNFAVORABLE FALL WEATHER CONDITIONS. CORN PRODUCTION TOTALLED 6.2 MILLION METRIC TONS WITH YIELDS AVERAGING 42.5 QUINTALS PER HECTARE (COMPARABLE STATISTICS FOR 1973 - 5.9, 40.5); WHEAT RESULTS WERE 5.0 MILLION TONS WITH YIELD OF 37.5 (4.5, 34.8). THE SUGAR BEET HARVEST WAS 3.6 MILLION TONS (1973 - 2.8), POTATOES 1.4 MILLION TONS (1.2), AND VEGETABLES 1.9 MILLION TONS (1.9). NEVERTHELESS, WHILE OUTPUT FOR MOST FALL CROPS INCREASED, THE INCLEMENT WEATHER DID ITS DAMAGE AS THE QUALITY OF VEGETABLE AND FRUIT HARVESTS WAS FAIR TO POOR, AND THE SUGAR CONTENT OF SUGAR BEETS WAS LOW, NECESSITATING EXPENSIVE SUGAR IMPORTS. THE GRAPE CROP SUFFERED HEAVILY WITH THE HARVEST DROPPING TO .7 MILLION TONS COMPARED TO 1.0 MILLION IN 1973. THE CSO REPORTS THAT SIGNIFICANT QUANTITY OF WHEAT WAS EXPORTED, HOWEVER, MAKES NO MENTION OF POSSIBLE CORN SALES ABROAD, A SIGNIFICANT EXPORT ITEM IN 1973.

5. TOTAL INVESTMENT DURING THE PAST YEAR IN SOCIALIST INDUSTRY WAS 120 BILLION FORINTS, SOMEWHAT MORE THAN THE 117-118 BILLION TARGETED FOR 1974 AND AN 11 PERCENT INCREASE OVER THE PREVIOUS YEAR. OF THIS, STATE INVESTMENTS ACCOUNTED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BUDAPE 00470 01 OF 02 181038Z

FOR 53.7 BILLION WHILE ENTERPRISE INVESTMENTS WERE 66.3 BILLION. HOWEVER, THE TIMELY COMPLETION OF LARGE STATE INVESTMENTS STILL POSED PROBLEMS AND THE OVERALL VALUE OF SUCH COMPLETED INVESTMENTS WAS LOWER THAN PLANNED AND BELOW 1973 RESULTS. OF TOTAL INVESTMENTS, 43.5 BILLION WAS USED FOR INDUSTRIAL DEVELOPMENT, 2.5 BILLION FOR THE BUILDING INDUSTRY, AND 22 BILLION IN AGRICULTURE.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BUDAPE 00470 02 OF 02 181052Z

10

ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07

L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

SAJ-01 NIC-01 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AEC-05

FEA-01 FPC-01 INT-05 OES-03 AGR-05 /115 W

----- 078090

R 180843Z FEB 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2698

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMCONSUL MUNICH

AMAMEMBASSY PRAGUE 1652

AMEMBASSY SOFIA

AMEMBASSY VIENNA

AMEMBASSY WARSAW

USMISSION GENEVA

LIMITED OFFICIAL USE SECTION 02 OF 02 BUDAPEST 0470

6. SOME OF THE LEAST PLEASANT NEWS IN THE CSO REPORT IS
CONTAINED IN THE SECTION ON FOREIGN TRADE. IN 1974 TOTAL
IMPORTS INCREASED 36.8 PERCENT IN COMPARISON TO A PLANNED 11.9
PERCENT, WHILE EXPORTS ROSE ONLY 11.6 PERCENT (PLANNED 7.5
PERCENT). THE LARGE INCREASE IN IMPORTS PRIMARILY STEMMED FROM HUGE
JUMPS IN PRICES FOR GOODS IMPORTED FROM THE WEST AS PURCHASES FROM
NON-COMMUNIST COUNTRIES JUMPED ABOUT 70 PERCENT. WESTERN
INFLATION WAS ALSO NO DOUBT A LEADING REASON FOR THE INCREASE IN
TRADE WITH DEVELOPED NON-COMMUNIST COUNTRIES AS A PERCENTAGE
OF TOTAL TRADE. THESE COUNTRIES ACCOUNTED FOR
31 PERCENT OF TOTAL FOREIGN TRADE IN 1974 (1973 - 27 PERCENT),
TRADE WITH SOCIALIST COUNTRIES 62 PERCENT, AND GOODS EXCHANGES
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUDAPE 00470 02 OF 02 181052Z

WITH DEVELOPED COUNTRIES 7 PERCENT. TRADE WITH THE SOVIET
UNION ALONE AMOUNTED TO 30 PERCENT OF ALL FOREIGN TRADE.

7. OFFICIALLY, PRICE INCREASES WERE HELD TO MODERATE LEVELS IN 1974 AS RESULT OF LARGE CENTRAL SUBSIDIES. INDUSTRIAL PRODUCER PRICES WENT UP 3.3 PERCENT WHILE RETAIL PRICES ROSE ONLY 2.1 PERCENT. THE LARGEST REPORTED PRICE RISES WERE FOR FREE MARKET VEGETABLES 5.1 PERCENT, FRUITS 7.3 PERCENT, AND WINE 13.8 PERCENT. PRICES FOR CHICKEN, EGGS AND POTATOES SHOWED DECLINES. OVERALL, THE CONSUMER PRICE INDEX IS SAID TO HAVE INCREASED BY A MERE 1.9 PERCENT IN 1974.

8. PERHAPS ONE OF THE MOST WELCOME SEGMENTS OF CSO'S STATISTICAL SUMMARY IS THE SECTION ONE POPULATION. AS RESULT OF GOVERNMENT EFFORTS TO STIMULATE POPULATION GROWTH WHICH HAS INCLUDED INCREASED MATERNITY BENEFITS AND RESTRICTIONS ON ABORTIONS, LIVE BIRTHS IN HUNGARY ROSE ALMOST 20 PERCENT IN 1974 OVER THE PREVIOUS YEAR WITH THE BIRTH RATE RISING FROM 15.0 PER THOUSAND TO 17.8 -- THE HIGHEST BIRTH RATE RECORDED DURING THE LAST 18 YEARS. TOTAL BIRTHS IN 1974 WERE 186,000, AN INCREASE OF 30,000 FROM 1973. THE HUNGARIAN POPULATION AS OF JANUARY 1, 1975, WAS 10.51 MILLION.

9. COMMENT: FROM THE STANDPOINT OF INCREASED OUTPUT, THERE CAN BE LITTLE DOUBT THAT 1974 WAS A GOOD YEAR FOR THE HUNGARIAN ECONOMY. PARTICULARLY STRIKING ARE THE LARGE RISES IN INDUSTRIAL OUTPUT, NATIONAL INCOME, AGRICULTURAL PRODUCTION, AND THE STRONG PERFORMANCES TURNED IN BY MOST BRANCHES OF INDUSTRY. EVEN BRANCHES SUCH AS CHEMICALS AND LIGHT INDUSTRY WHICH WERE PLAGUED WITH MATERIAL SHORTAGES DURING THE EARLY PART OF 1974 WERE ABLE TO EQUAL OR SURPASS PRODUCTION PLANS. UNQUESTIONABLY MEASUREMENT BY OUTPUT ALONE DOES HAVE SERIOUS SHORTCOMINGS AS PERHAPS ILLUSTRATED BY THE CASE OF AGRICULTURE. HUNGARIAN AGRICULTURE IN SPITE OF IMPRESSIVE 3.7 PERCENT GROWTH DID NOT HAVE AN EASY YEAR. ALTHOUGH BEEF PRODUCTION WAS UP IT PROVED QUITE DIFFICULT TO SELL MEAT IN THE FACE OF EC EMBARGO WHILE SUGAR BEET, CORN AND VEGETABLE CROPS -- IMPRESSIVE IN TERMS OF OUTPUT -- ARE SAID TO BE OF FAIR TO POOR QUALITY. REPEATED COMPLAINTS ABOUT THE LEVEL OF LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUDAPE 00470 02 OF 02 181052Z

INVENTORIES MADE IN RECENT WEEKS SUGGEST THAT INDUSTRY MAY BE HAVING TROUBLE MARKETING ALL ITS PRODUCTS.

10. ON QUESTION OF LIVING STANDARDS, THE AVERAGE HUNGARIAN CONSUMER WOULD UNDOUBTEDLY DISPUTE CSO'S CONTENTION THAT CONSUMER PRICES ROSE BY ONLY 1.9 PERCENT AND EVEN ECONOMISTS ADMIT THAT THEIR PRICE INDEX IS HEAVILY WEIGHTED IN FAVOR OF BASIC STAPLES AND PLACES LESS EMPHASIS ON THE MORE EXPENSIVE POPULAR CONSUMER ITEMS. NEVERTHELESS MOST

CONSUMERS WOULD ACCEPT THE GOVERNMENT'S BASIC ARGUMENT, "THAT THEY NEVER HAD IT SO GOOD." PERHAPS THE MOST VISIBLE INDICATION OF CONSUMER PROSPERITY IS THE CONTINUED RISE IN THE NUMBER OF PRIVATE AUTOMOBILES. LAST YEAR CAR IMPORTS TOTALLED 82,000 BRINGING THE NUMBER OF PRIVATELY-OWNED AUTOMOBILES IN THE COUNTRY TO 462,000.

11. HOWEVER, LURKING JUST BENEATH THE GLIMMER OF IMPRESSIVE GROWTH STATISTICS AND UNPRECEDENTED CONSUMER PROSPERITY ARE THE SERIOUS PROBLEMS OF A RECORD TRADE DEFICIT WITH THE WEST, HOW TO DEAL WITH HIGHER RAW MATERIAL PRICES AND THE FACT THAT THE GREAT MAJORITY OF HUNGARIAN INDUSTRY'S PRODUCTS ARE SIMPLY NOT ABLE TO COMPETE IN THE NON-COMMUNIST WORLD. ALL OF THIS POINTS TO A SLOWER RATE OF GROWTH WITH THE OPTIMISTS TALKING ABOUT 4 PERCENT FOR 1976-80 AND PESSIMISTS EXPECTING SIGNIFICANTLY LESS. (SEE REFTEL). WHILE RECENT HISTORY SUGGESTS THAT THE HUNGARIANS WITH THEIR PROVEN ABILITY TO MAKE THE BEST OF A BAD SITUATION, WILL FIND SOMEHOW TO MANAGE TO CONTINUE MODEST RATES OF GROWTH, IT ALSO WOULD APPEAR THAT 1974'S GROWTH STATISTICS ARE UNLIKELY TO BE EQUALLED FOR SOME YEARS TO COME.

MUDD

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ANNUAL REPORTS, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BUDAPE00470
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750057-0465
From: BUDAPEST
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750236/aaaabgjz.tel
Line Count: 299
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: BUDAPEST 0365
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 04 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 APR 2003 by BoyleJA>; APPROVED <07 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL STATISTICAL OFFICE REPORTS ON 1974 ECONOMIC RESULTS
TAGS: EFIN, HU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006